GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2051
ANSWERED ON:12.12.2008
PUBLIC AND PRIVATE INSURANCE COMPANIES
Aaron Rashid Shri J.M.;Mahato Shri Narahari;Reddy Shri Mekapati Rajamohan

Will the Minister of FINANCE be pleased to state:

(a) the target set and achievement made by Life Insurance Corporation of India (LIC) and General Insurance Corporation (G1C) during the last three years and the current year;

(b) whether the market share of LIC and GIC have come down during the above period;

(c) if so, the reasons therefor and action taken thereon;

(d) whether private insurance companies are doing better business in their insurance sector in comparison to LIC and GIC;

(e) if so, the reasons therefor:

(f) whether private insurance companies are posing a challenge to LIC & GIC;and

(g) if so, the steps taken by the Government in this regard?

Answer

Minister of State for Finance(Shri Pawan Kumar Bansal)

(a) The details of target set and achievement made by Life Insurance Corporation of India(LIC) and General Insurance Corporation (GIC) during the last three years and the current year is given in the Annex.

(b) Yes Sir, the market share of LIC has reduced during the above period.As regards GIC it is the only re-insurer company in the country.

(c) With the addition of new players in the market and increased competition, it is natural that the market share of the incumbent player will come down.

LIC has taken many initiatives to ensure that it maintains its leadership position in the market which include:

It has opened 342 new Satellite Offices up to last year and has added 89 more Satellite Offices during the current financial year.It will ensure LIC`s deeper penetration in the rural areas.

It has planned aggressive recruitment of Marketing Officials and aims to double its Agency force in 3 years.

To counter the volatility in the share market and ensure a healthy growth rate,it is repositioning some of its popular conventional products.

Many new ideas like empowerment of its Agents and Development Officers,introduction of Chief Life Insurance Advisors (CLIA) Scheme enabling its senior and experienced Agents to introduce suitable persons to work as supervised agents under them and adopting the best available technology and practices worldwide in insurance industry have been implemented to ensure that the Corporation remains a dominant player in the life insurance market.

(d) & (e) At the time of opening up of the Insurance Sector in the year 2000,it was envisaged that with the entry of private players the share of public sector insurers measured in terms of the premium underwritten by the industry would decline.Since then, number of participants in the Life segment has gone up from one insurer in 2000 to 21 insurers as of now.Though,the share of private insurance companies is increasing as anticipated,the overall size of pie has increased with the quantum increase in the premium underwritten by all the insurers. This is reflected in an increase in life insurance penetration (Gross Premium as % of GDP) from 1.77% in year 2000 to 4.00% in year 2007.

(f) There are 20 private companies operating in the life segment and the average market share of each private company works out to 1.70 % in terms of number of policies and 2.20% in terms of First Premium Income (FPI). The highest market share amongst the private companies is 9.75% in FPL and 6.52 % in the number of Policies by IC1CI Prudential as against LIC;s market share of 55.12% in FPI and 66.51% in number of Policies as on 3\st October 2008.

(g) From the year 2006-07 onwards, the LIC has been submitting a Statement of Intent to the Government under which annual targets are fixed for various parameters (in consultation with the Government) against which their performance is regularly monitored by the Government.